

**Department of Correction**

**For the Years Ended  
June 30, 1998, and June 30, 1997**

***Arthur A. Hayes, Jr., CPA, JD, CFE***

Director

**FINANCIAL & COMPLIANCE**

***Charles K. Bridges, CPA***

Assistant Director

***Elizabeth M. Birchett, CPA***

Audit Manager

***Wayne Peterson, CPA***

In-Charge Auditor

***Ronald E. Crozier***

***Mark W. Hartman***

***Ronald H. Queen***

***Brent L. Rumbley***

Staff Auditors

**SPECIAL INVESTIGATIONS**

***Glen McKay, CIA***

Assistant Director

***Chas Taplin, CPA***

Audit Manager

***Tommy Sneed***

Staff Auditor

January 17, 2000

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
The Honorable Donal Campbell, Commissioner  
Department of Correction  
Fourth Floor, Rachel Jackson Building  
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Correction for the years ended June 30, 1998, and June 30, 1997.

We conducted our audit in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Department of Correction's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Department of Correction is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The department's administration has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving the department's internal controls and/or instances of noncompliance to the Department of Correction's management in a separate letter.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/ms  
99/038

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

**Department of Correction**

For the Years Ended June 30, 1998, and June 30, 1997

---

## AUDIT SCOPE

We have audited the Department of Correction for the period July 1, 1996, through June 30, 1998. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of Tennessee Rehabilitative Initiative in Correction (TRICOR), inappropriate activities at the Cold Creek Correctional Facility TRICOR Farm—Special Investigations, inventories, maintenance benefits, notification to the Comptroller of the Treasury, signature authorization forms, annual reports, federal grants, state prosecutions—miscellaneous expenditures, community corrections, and adult probation fee collection. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## AUDIT FINDINGS

### **TRICOR Needs a Functional Cost Accounting System\*\***

TRICOR management has not formulated a system development plan to implement a fully operational cost accounting system in a timely manner (page 5).

### **TRICOR Quarterly Profit and Loss Statements Have Not Been Sent to the Designated Officials in Accordance With State Law\***

TRICOR management has not provided the quarterly profit and loss statements of TRICOR operations to the Comptroller of the Treasury or the Commissioner of Finance and Administration in accordance with Section 41-22-123(b), *Tennessee Code Annotated* (page 6).

### **TRICOR Does Not Have a Disaster Recovery Plan**

TRICOR management has not developed a disaster recovery plan to provide continuity of services in the event any of its data processing facilities are damaged or destroyed (page 7).

**Controls Over TRICOR Finished Goods Inventories Were Inadequate**

TRICOR management did not ensure that inventory control practices were observed at the central warehouse (page 8).

**TRICOR Employees Failed to Properly Verify Inventory Deliveries and to Properly Maintain Vehicle Maintenance Records at the Cold Creek Correctional Facility Farm**

The review at the TRICOR farm operation at the Cold Creek Correctional Facility also revealed that TRICOR purchasing policies and procedures were not followed and that equipment maintenance records were incomplete (page 11).

**Adequate Controls Over the Perpetual Inventory Recordkeeping System Were Not Implemented Consistently\*\***

The Department of Correction has not ensured the uniform implementation of adequate controls over warehouse perpetual inventory records throughout the correctional facilities (page 13).

**The Department Has Not Complied With the Documentation Requirements of the Approved Maintenance Benefits Housing Policy**

Department of Correction personnel occupying state housing have not submitted the documentation required by the approved maintenance benefits policy (page 16).

**Possible Malfeasance and Resolution of Investigations Were Not Reported to the Comptroller of the Treasury**

The Director of Internal Affairs did not notify the Office of the Comptroller of the Treasury of initial indications of employee malfeasance as required in *Tennessee Code Annotated* (page 17).

**Signature Authorization Forms Were Not Properly Approved**

The commissioner and fiscal officer did not review and sign any of the signature authorization forms for the department. Also, employees other than those in the central office did not sign the name of the department head or fiscal officer, and the forms were not updated annually in some cases (page 18).

**The Department Did Not Submit Its Annual Report in a Timely Manner**

The Department of Correction submitted its annual report for the fiscal year ended June 30, 1996, 17 months past the date required. Additionally, the department had not submitted the annual reports for the fiscal years ended June 30, 1997, and June 30, 1998, to the Governor as of April 1, 1999, 18 months and six months, respectively, after the mandated deadlines (page 20).

\* This finding is repeated from the prior audit.

\*\* This finding is repeated from prior audits.

---

“Audit Highlights” is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

---

**Audit Report**  
**Department of Correction**  
**For the Years Ended June 30, 1998, and June 30, 1997**

---

**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>INTRODUCTION</b>	1
Post-Audit Authority	1
Background	1
<b>AUDIT SCOPE</b>	1
<b>OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS</b>	4
Tennessee Rehabilitative Initiative in Correction (TRICOR)	4
Finding 1 – TRICOR needs a functional cost accounting system	5
Finding 2 – TRICOR quarterly profit and loss statements have not been sent to the designated officials in accordance with state law	6
Finding 3 – TRICOR does not have a disaster recovery plan	7
Finding 4 – Controls over TRICOR finished goods inventories were inadequate	8
Inappropriate activities at the Cold Creek Correctional Facility TRICOR Farm – Special Investigations	10
Finding 5 – TRICOR employees failed to properly verify inventory deliveries and to properly maintain vehicle maintenance records at the Cold Creek Correctional Facility farm	11
Inventories	13
Finding 6 – Adequate controls over the perpetual inventory recordkeeping system were not implemented consistently	13
Maintenance Benefits	15
Finding 7 – The department has not complied with the documentation requirements of the approved maintenance benefits housing policy	16
Notification of the Comptroller of the Treasury	17
Finding 8 – Possible malfeasance and resolution of investigations were not reported to the Comptroller of the Treasury	17

---

## TABLE OF CONTENTS (CONT.)

---

	<u>Page</u>
Signature Authorization Forms	18
Finding 9 – Signature authorization forms were not properly approved	18
Annual Reports	19
Finding 10 – The department did not submit its annual report in a timely manner	20
Federal Grants	21
State Prosecutions – Miscellaneous Expenditures	21
Community Corrections	22
Adult Probation Fee Collection	23
<b>PRIOR AUDIT FINDINGS</b>	23
Resolved Audit Findings	23
Repeated Audit Findings	23
<b>OBSERVATIONS AND COMMENTS</b>	24
Project Return, Inc. – Special Investigation	24
TRICOR Garage – Special Investigation	25
Title VI of the Civil Rights Act of 1964	25
Subsequent Event – TRICOR	25
<b>APPENDIX</b>	26
Divisions and Allotment Codes	26
Information for the Year Ended June 30, 1998	
Funding Sources	27
General Fund Expenditures	27
Information for the Year Ended June 30, 1997	
Funding Sources	28
General Fund Expenditures	28

# **Department of Correction**

## **For the Years Ended June 30, 1998, and June 30, 1997**

---

### **INTRODUCTION**

---

#### **POST-AUDIT AUTHORITY**

This is the report on the financial and compliance audit of the Department of Correction. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

#### **BACKGROUND**

The mission of the Department of Correction is to supervise convicted offenders by implementing correctional practices which contribute to the effectiveness of the criminal justice system.

Although Tennessee Rehabilitative Initiative in Correction (TRICOR) was administratively attached to the Department of Correction, during the audit period it was functionally separate from the department. (TRICOR was separated from the Department of Correction by the Public Acts of 1999, effective July 1, 1999.) The mission of TRICOR is to effectively manage correctional industry, agriculture, and service operations for the purpose of employing and training inmates, providing quality products and services on time to customers, and assisting in post-release employment.

Organization charts for the department and TRICOR are on the following pages.

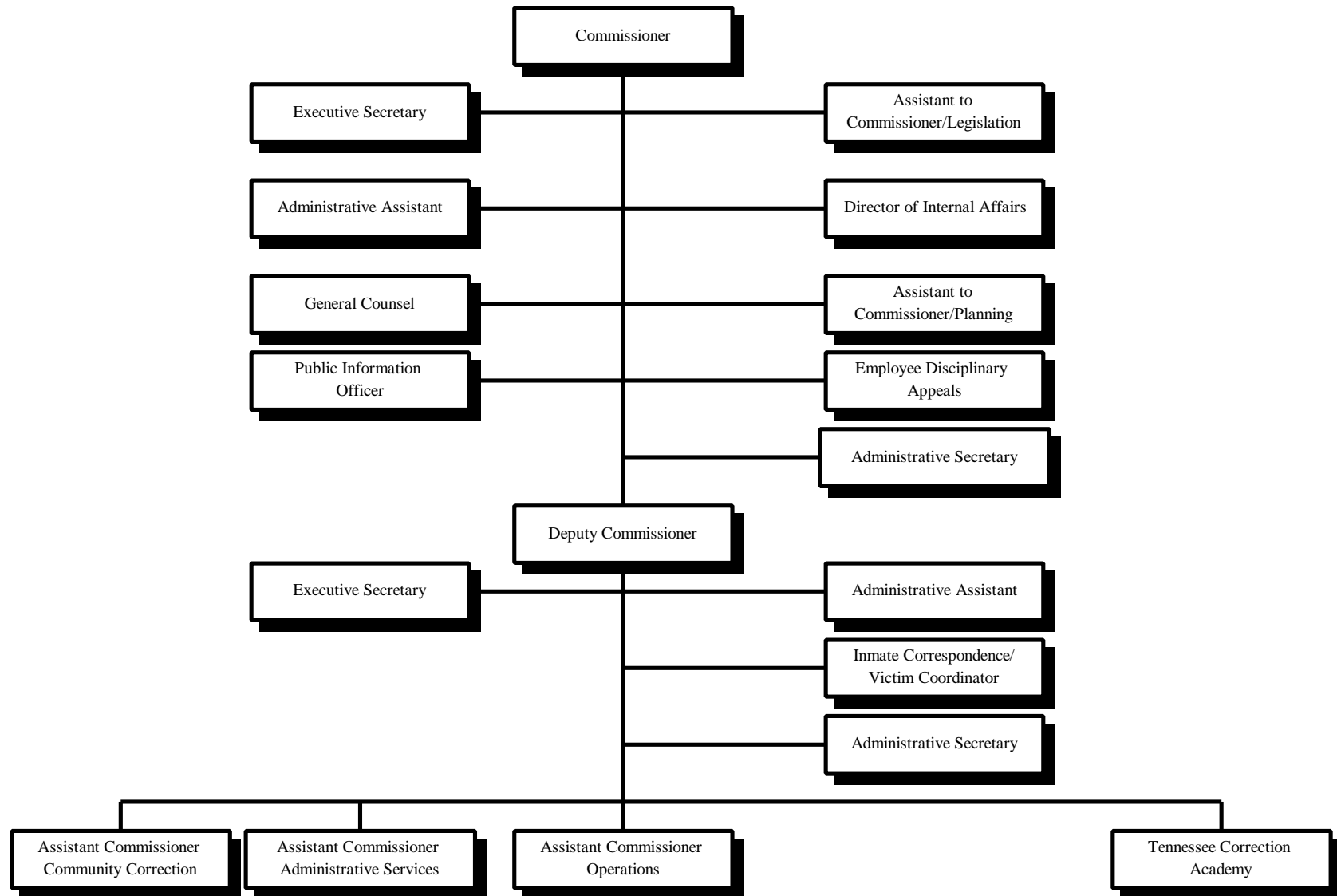
---

#### **AUDIT SCOPE**

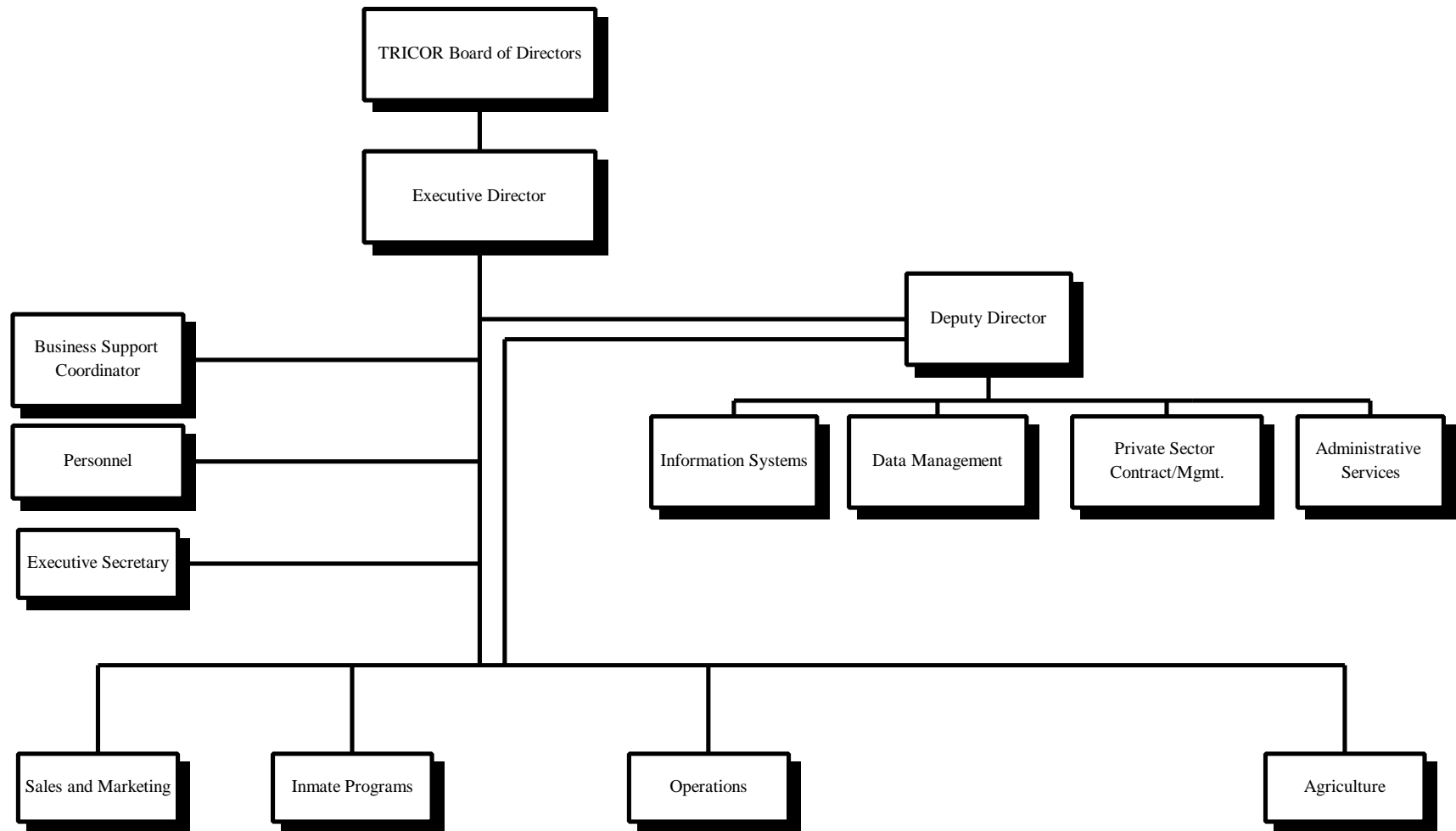
---

We have audited the Department of Correction for the period July 1, 1996, through June 30, 1998. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of Tennessee Rehabilitative Initiative in

# Tennessee Department of Correction



## Tennessee Rehabilitative Initiative in Correction (TRICOR)



Correction (TRICOR), inappropriate activities at the Cold Creek Facility TRICOR Farm—Special Investigations, inventories, maintenance benefits, notification of possible malfeasance and subsequent resolution to the Comptroller of the Treasury, signature authorization forms, annual reports, federal grants, state prosecutions—miscellaneous expenditures, community corrections, and adult probation fee collection. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

---

## OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

---

### TENNESSEE REHABILITATIVE INITIATIVE IN CORRECTION (TRICOR)

The objectives of our review of the Tennessee Rehabilitative Initiative in Correction (TRICOR) controls and procedures in the Department of Correction were to determine whether

- the cost accounting system accurately accumulates manufacturing costs by job;
- management has provided quarterly profit and loss statements of the operation of prison industries to the Comptroller of the Treasury and to the Commissioner of Finance and Administration as required by Section 41-22-123(b), *Tennessee Code Annotated*;
- raw material inventory records at the production facilities represent a complete listing of raw materials physically on hand;
- finished goods inventory records at the central warehouse facility represent a complete listing of the goods physically on hand;
- farm records represent a complete listing of cattle; and
- equipment is properly recorded, properly safeguarded, and can be physically located.

We interviewed key TRICOR personnel to gain an understanding of the TRICOR cost accounting system and its capabilities, and examined data capture methodologies and documentation at TRICOR facilities. We also discussed the process through which the fiscal officer prepared the quarterly profit and loss statements, reviewed the statements for timeliness of submission, and tested a sample of the statements to determine if the report agreed with source documents. Test counts of a sample of raw materials inventories were conducted at the seven TRICOR production facilities visited. Additionally, the procedures and controls of the production process at each facility were discussed with key personnel. Test counts of a sample of finished goods inventories were conducted at the TRICOR central warehouse, and the procedures and controls over the central warehouse and its contents were discussed with key personnel. Test counts of cattle were conducted at the two TRICOR farm facilities visited, and the procedures and controls used at the cattle farms were discussed with key personnel. A sample of equipment was tested for all TRICOR facilities visited.

We determined that the cost accounting system at TRICOR is not fully operational, as discussed in finding 1. We also determined that TRICOR management has not provided the quarterly profit and loss statements required by Section 41-22-123(b), *Tennessee Code Annotated*, as discussed in finding 2. Additionally, TRICOR management has not developed and documented a disaster recovery plan for its facilities, as discussed in finding 3. And we determined that controls over TRICOR finished goods inventories at the central warehouse were not adequate, as discussed in finding 4. In addition to the findings, other minor weaknesses came to our attention which have been reported to management in a separate letter.

## **1. TRICOR needs a functional cost accounting system**

### **Finding**

As stated in the previous audits covering the period July 1, 1980, through June 30, 1994, a functional cost accounting system has not been implemented at TRICOR. During the audit covering the period July 1, 1994, through June 30, 1996, the finding was not repeated due to improvements in cost accounting and the assurance of TRICOR management that a cost accounting system capable of capturing actual direct and indirect costs would be fully operational for all TRICOR facilities by June 30, 1998. However, as of March 1, 1999, TRICOR still does not have a fully operational cost accounting system to provide cost information for planning, controlling, pricing, finished goods, or valuing work-in-process or finished goods inventory.

TRICOR operates 16 plants and 4 farms at the Tennessee Prison for Women at Nashville, Riverbend Maximum Security Institution at Nashville, Southeastern Tennessee State Regional Correctional Facility at Pikeville, Northeast Correctional Complex at Mountain City, Northwest Correctional Complex at Tiptonville, Turney Center Industrial Prison and Farm at Only, Brushy Mountain Correctional Complex at Petros, South Central Correctional Center at Clifton, and West Tennessee High Security Complex at Henning. Products produced include new and refurbished furniture, refurbished office landscaping, paint, license tags, street signs, metal products, printed paper products, and clothing. Services include TennCare customer service and data processing.

The TRICOR system is structured so that cost data are captured at the plants and forwarded to the central office for processing. Currently, of the ten manufacturing plants and six service plants, only the textile plant at the Tennessee Prison for Women and the wood plant at Turney Center have a direct labor or direct material cost capture system in place. Costs of operation at other plants can only be estimated on a per-job basis using standard costs as the valuation method. The actual cost of goods and services is not known.

TRICOR has been developing a centralized computer cost accounting system since July 1, 1997. The system is being developed without a development plan. Staff developing the system cannot state what the capabilities of the completed system will be and spend a significant portion of their time troubleshooting problems with the existing system components. This system is not yet capable of using captured direct labor and direct materials cost information and of assigning

indirect costs to determine actual production costs per unit and to generate useful management reports. The current system cannot value work-in-process or finished goods inventory at cost. A fully functional computerized cost accounting system is necessary for TRICOR to adequately monitor operations at its manufacturing and business services plants and to effectively price goods, services, and inventories.

### **Recommendation**

TRICOR upper management should formulate a system development plan to focus efforts on implementing predetermined system capabilities and to establish deadlines for project completion within a reasonable time frame. The completed computerized cost accounting system should accumulate the direct and indirect costs related to production, allocate these costs to the products manufactured, and provide readily accessible data on operations in all TRICOR facilities.

### **Management's Comment**

We concur. Management recognizes the need for a functional cost accounting system. Many critical processes have been put in place over the last several years in an effort to support the implementation of a cost accounting system. TRICOR management will formulate a system development plan that will focus efforts on a predetermined outcome. TRICOR has contracted with an Information Systems Consultant to assist in this process. When completed, the system will capture direct labor and direct materials cost information and assign indirect cost to determine actual production costs per unit.

## **2. TRICOR quarterly profit and loss statements have not been sent to the designated officials in accordance with state law**

### **Finding**

TRICOR management did not provide the quarterly profit and loss statements of TRICOR operations to the Comptroller of the Treasury or the Commissioner of Finance and Administration in accordance with state law during fiscal year 1997. Additionally, the profit and loss statements for the quarters ending June 30, 1998, and September 30, 1998, were not received until January 11, 1999, 164 days and 72 days after the statutory deadline, respectively. Section 41-22-123(b), *Tennessee Code Annotated*, states

A profit and loss statement of the operation of prison industries shall be prepared quarterly, within the month following the end of the quarter, and a copy of this statement, certified by the fiscal officer of prison industries, shall be sent to the comptroller of the treasury and to the commissioner of finance and administration.

Representatives of TRICOR indicated that the required information was available and would be properly submitted in a timely manner in the future.

### **Recommendation**

TRICOR management should ensure that quarterly profit and loss statements of its operations are properly prepared, certified by the fiscal officer, and submitted in a timely manner to the Comptroller of the Treasury and to the Commissioner of Finance and Administration in accordance with *Tennessee Code Annotated*.

### **Management's Comment**

We concur. TRICOR management will ensure that quarterly profit and loss statements are properly prepared, certified by the fiscal officer and submitted in a timely manner to the Comptroller of the Treasury and the Commissioner of Finance and Administration in accordance with *Tennessee Code Annotated*.

### **3. TRICOR does not have a disaster recovery plan**

#### **Finding**

TRICOR does not have a disaster recovery plan to provide continuity of administrative, clerical, and operational functions in case its data processing facilities at the operation center, plants, or farms are damaged or destroyed. The objective of such a plan is to provide reasonable continuity of data processing if normal operations are disrupted. The potential for interrupted service and lost data increases significantly without an adequate recovery plan. In the event of an emergency or disaster, TRICOR would not be equipped to carry out day-to-day operations. No plans have been made for an alternate facility for data processing.

TRICOR backs up its central server on a daily basis and stores the back-up in an alternate, secure location; however, the stand-alone computers at the 16 plants and 4 farms—which contain critical design, bill of materials, and production data—are not backed up. This data could be lost in the event of a disaster.

### **Recommendation**

The management of TRICOR should develop and test a disaster recovery plan that includes, but is not limited to, relocation to a temporary site; provision for data processing and communications; and acquisition of office equipment, furniture, supplies, and forms necessary to carry out operations. This plan should be developed so that personnel are aware of their

responsibilities and the chain of command. The plan should be periodically reviewed and tested. Management should also ensure that all stand-alone computers are adequately backed up.

### **Management's Comment**

We concur. On June 29, 1999, TRICOR submitted a Business Resumption Plan that covers many of the basic recovery issues. Since the audit fieldwork, additional sites have been added to the network; thereby creating additional sites where business operations could take place if a disruption occurred. Since the administration of Local Area Networks (LAN) has been consolidated by OIR, they protect the recovery of our critical business data. In addition, we have taken steps to ensure that critical data on stand-alone computers are backed up and stored at a separate location. We will continue to work on improving the recovery plan and ensure that adequate procedures are in place for implementation.

#### **4. Controls over TRICOR finished goods inventories were inadequate**

##### **Finding**

TRICOR controls over finished goods inventory are inadequate. Auditor observation of controls and a test count of finished goods inventory revealed weaknesses in inventory control:

- a. Nine of 60 finished goods inventory items quantities (15%) differed from the perpetual inventory listing. The sample had a total retail book value of \$201,649.11 based on inventory listing quantities. The 11 items differing from the inventory listing had a retail book value of \$40,637.01 per quantities on the inventory listing and \$47,697.92 per the auditor test counts. The retail value of the sample was understated by \$7,060.91 (3.5%). Six of 60 finished goods inventory items' actual quantities (10%) differed by ten percent or more from the inventory listing. Two of these items had an inventory balance listing of zero but had items on hand. Not maintaining an accurate inventory listing will result in the incorrect valuation of inventory on hand and could cause late delivery of products and incorrect representation of production levels.
- b. TRICOR is not placing returned products back on the inventory listing or maintaining an inventory of customer products being stored in TRICOR's central warehouse. Three of 60 items (5%) with a retail value of \$5,893.00 were returned items not placed back on the inventory listing on an inventory of customer items being stored by TRICOR. Items not placed back on the inventory listing could cause inventory to be understated and could cause incorrect representation of production levels. Customer products which are not appropriately identified and inventoried apart from TRICOR product inventory could cause inventory to be overstated and could cause incorrect representation of production levels.
- c. TRICOR does not maintain a locator system for finished goods inventory items. TRICOR has a written diagram, or map, of its warehouse with areas listed for product

groups (furniture, clothing, etc.). However, this diagram is not updated to reflect movements of inventory and does not indicate the specific quantities or exact description of the items in each inventory location. Finished goods inventory locations observed during and after the test counts did not match the warehouse diagram. During the test counts, 250 tote bags could not be found. No location was identified for the bags on the diagram. One hundred and fifty-six bags were found in various locations throughout the warehouse following the count. Additionally, one inventory item (26 shelves) was stored in two separate locations. Consequently the shelves were counted on two separate inventory tickets, causing an error in the inventory. This error was noted during the reconciliation process after the count. Finished goods inventory items are sometimes difficult to locate, causing incorrect inventory counts and the recording of incorrect production levels based on these erroneous counts.

- d. Damaged, obsolete, and discontinued inventory was observed throughout the central warehouse buildings. The failure to segregate and label these inventory items makes the identification of current inventory and sales and disposal of damaged, obsolete, and discontinued inventory more difficult.

### **Recommendation**

TRICOR management should ensure that adequate inventory control practices are observed at the TRICOR central warehouse. TRICOR management should require the use of a warehouse diagram with a locator system to ensure that finished goods inventory items can be located.

The system should identify a specific address for every area of the warehouse. The address where each item is stored should then be recorded on the inventory listing. Inventory policies should be developed to ensure the accountability of returned products and to record returned inventory in finished goods inventory. Inventory belonging to other organizations and being stored on TRICOR premises should be listed separately and should be identified to prevent these items from being counted as TRICOR inventory. Policies and procedures should be developed to encourage the sale or disposal of obsolete, discontinued, and damaged items. Management should monitor the implementation of these inventory control practices through periodic inventories and inspections of the warehouse premises and operations.

### **Management's Comment**

We concur. Inventory practices will continue to be monitored through periodic inventories and warehouse inspections. A written diagram of the warehouse will continue to be posted and updated to reflect product movement. This diagram will include as much detail as practical, but it may not be feasible to record exact quantities as frequently as the information changes. Damaged, obsolete, and discontinued inventory will be isolated and labeled so that it will not be mistaken for current inventory. Returned inventory will be returned to the finished goods inventory.

---

## **INAPPROPRIATE ACTIVITIES AT THE COLD CREEK CORRECTIONAL FACILITY TRICOR FARM–SPECIAL INVESTIGATIONS**

In an August 15, 1996, letter to our office, the executive director of the Tennessee Rehabilitative Initiative in Correction (TRICOR) board requested we review allegations concerning the misuse of state property at the Cold Creek Correctional Facility farm by TRICOR employees. The farm is located in west Tennessee in Lauderdale County. The allegations were made by an anonymous source who apparently witnessed TRICOR employees performing work on personal vehicles using state equipment and inmate labor at the facility during the period December 27, 1990, through December 7, 1995. A preliminary review of these allegations by the Department of Correction Internal Affairs Division confirmed that TRICOR employees had performed work on personal vehicles and personal farm equipment at the facility, and that inmates had performed some of this work and had worked on other unauthorized projects. Our office's involvement was requested in part because some of the allegations implied that vehicle parts had been purchased with state funds through the Cold Creek Correctional Facility for personal use and that inventory and farm equipment had been retained by TRICOR employees for personal use.

Our objectives in reviewing purchasing procedures and internal controls over inventory and farm equipment focused on determining whether

- documentation existed regarding the purchase of automotive parts which corresponded with the dates of the improper work performed on personal vehicles at the farm facility;
- farm equipment was properly accounted for; and
- inventory receiving procedures were adequate.

An additional objective was to review the work of the Internal Affairs staff and to report any significant findings.

We interviewed key personnel to gain an understanding of the Cold Creek Correctional Facility purchasing and inventory procedures. We also reviewed purchase requests for proper approvals, compared purchase requests to receiving reports and vendor invoices, compared automotive parts purchases with farm vehicle maintenance records, and conducted an inventory on a sample of 40 equipment items. Our review did not find that any automotive or inventory items had been purchased through Cold Creek Correctional Facility for personal vehicles. From our sample of 40 equipment items, all were located on the farm premises. However, as discussed in finding 5, we determined that vehicle maintenance records were inaccurate and incomplete, and that the receiving reports could not be relied upon because they were prepared from the invoice rather than from a physical verification of the items purchased and delivered. We also reviewed Internal Affairs' findings, which substantiated allegations that TRICOR employees had performed work on personal vehicles and equipment at the farm shop. These findings were based on interviews with facility inmates and farm shop staff.

TRICOR management took administrative action on nine farm shop staff and the TRICOR General Manager of Agriculture. This action consisted of three terminations, two suspensions without pay, and five written warnings. The three terminated employees appealed their terminations. In hearings before the Tennessee Civil Service Commission, an administrative law judge reinstated two of the three employees to their position. In an Agreed Order of Settlement, the other terminated employee dismissed his appeal and accepted a 20-day suspension without pay and was reinstated.

The administrative law judge did not find the testimony of the various inmates credible and concluded that the state failed to establish the ownership of the personal property allegedly worked on at the farm. In addition, the judge determined that the terminations were inconsistent in regard to the disciplinary action taken against the farm manager. The farm manager knew about some of the work performed on personal vehicles and equipment and received a 10-day suspension without pay.

This information was referred to the District Attorney General of the 25<sup>th</sup> Judicial District (Lauderdale County) by the Internal Affairs Division. The District Attorney General determined that criminal prosecution should not be pursued.

**5. TRICOR employees failed to properly verify inventory deliveries and to properly maintain vehicle maintenance records at the Cold Creek Correctional Facility farm**

**Finding**

TRICOR purchasing policies and procedures requiring receiving personnel to verify items delivered to the facility were violated, and staff failed to maintain complete and accurate vehicle maintenance records.

The review of the controls over purchasing at Cold Creek Correctional Facility revealed that purchasing policies and procedures were violated in that items received at the farm were not independently verified. According to the Cold Creek Correctional Facility farm manager, procurement requests were initiated by supervisors at the farm to purchase needed equipment, including vehicle repair parts. The farm manager also stated that many of the items needed are stocked by area vendors and were picked up by farm employees rather than having the parts delivered. It was noted that frequently the supervisors requesting the purchase were also the same individuals who obtained items from the vendor. According to the Cold Creek Correctional Facility farm manager, once items are received by the farm, the corresponding invoice is provided to an inmate clerk who then prepares the receiving report. This process of completing the receiving report from the information provided from the vendor's invoice not only violated TRICOR policy, which requires receiving personnel to physically verify items, but negated the controls intended by policy, which were to have an independent verification of items received.

According to the farm manager, although his approval is needed for the purchase of items, in most instances he relies on the integrity of his supervisors to verify the receipt of items delivered. Because the same supervisors requesting items are relied upon to verify receipt of items and procedures are not in place for the independent verification of items received through

receiving reports, management cannot be assured that items approved for purchase are received by the farm and are not misused.

Furthermore, the equipment maintenance records were incomplete. According to the farm manager, invoice amounts for repairs and maintenance on farm vehicles were not always maintained on equipment maintenance records. These records allow management to track maintenance costs per vehicle and aid management in decisions regarding new vehicle purchases. Without complete and accurate information, management cannot rely on such records. The review confirmed that the records contained errors, were incomplete, and were not updated on a regular basis.

### **Recommendation**

Farm management should ensure that TRICOR policies and procedures are followed. Specifically, farm management should ensure that items received by the farm are actually received and that an independent verification is performed by personnel other than those involved in the purchase and physical receipt of such purchases.

Additionally, farm management should review equipment maintenance records and ensure that these logs are correct and complete. Future transactions should be periodically reviewed by management to ensure records are properly maintained.

Furthermore, the problems noted at the farm are attributable to the tone set by the farm manager. TRICOR management should ensure that the farm manager supports and maintains compliance with TRICOR policies and procedures. TRICOR management should take timely, appropriate disciplinary action against the farm manager for any further departures from appropriate practices and relevant policies by the farm manager or with his knowledge.

### **Management's Comment**

We concur. A new farm manager was hired June 16, 1999. TRICOR management has clearly outlined the expectation of full compliance with TRICOR's policies and procedures. Specifically, items received by the farm will be independently verified. Management will ensure that items approved for purchase are received by the farm and used for the intended business purpose.

In addition, the equipment maintenance cards are being properly maintained. The farm manager is periodically reviewing the records to ensure that the logs are correct and complete. Vehicle maintenance is now performed by the Department of Transportation.

---

## INVENTORIES

The objectives of our review of the inventories controls and procedures in the Department of Correction were to determine whether

- the inventory recorded represents a complete listing of materials and supplies owned by the department and such assets are physically on hand, in transit, in storage, or on consignment; and
- the perpetual inventory records are promptly updated for changes in the physical inventory.

We reviewed the reports and associated working papers of the department's internal audit section for their audits of the department's facilities and the associated warehouses. Based on this review, we determined that we could rely on their testwork, and repeated the inventory finding from the prior audit based on the results observed by the department's internal auditors, as discussed in finding 6.

### **6. Adequate controls over the perpetual inventory recordkeeping system were not implemented consistently**

#### **Finding**

As noted in the eight previous audits covering the period July 1, 1978, through June 30, 1996, the Department of Correction has not ensured the uniform implementation of adequate controls over warehouse perpetual inventory records throughout the correctional facilities. In the prior audit, test counts did not agree with the perpetual inventory records. It was also previously noted that there was a marked lack of uniformity in the test count results among the facilities visited and that there appeared to be a correlation between the level of involvement of the warehouse manager and facility fiscal officer in the oversight of the warehouse operation with the results of the testwork. The greater their involvement, the more accurate the records.

Management concurred with the prior finding and stated, "Our warehouse operation policy #210.01 went into effect on June 1, 1997. Our institutions are in the process of implementing these new procedures. As our Internal Audit section performs their audits and issue the reports, we are holding the Warden and administrative staff accountable."

A review of internal audit reports and working papers for audits conducted subsequent to June 1, 1997, indicates that these measures were not sufficient to ensure that the controls required in policy 210.01 were consistently implemented. The results of internal audit warehouse test counts performed subsequent to June 1, 1997, are summarized in the following table:

FACILITY	FIELD ENTRANCE DATE	# ITEMS TESTED	# VARIANCES	% VARIANCES
Northwest Correctional Center	10/13/98	32	2	6.25%
Tennessee Correction Academy	9/15/98	50	0	0.00%
Wayne County Boot Camp	8/14/98	34	24	70.59%
Tennessee Prison for Women	8/12/98	41	17	41.46%
Turney Center Industrial Prison and Farm	6/1/98	43	29	67.44%
Riverbend Maximum Security Institution	5/4/98	58	39	67.24%
Southeastern Tennessee State Regional Correctional Facility	3/9/98	42	21	50.00%
Morgan County Regional Correctional Facility	3/2/98	34	6	17.65%
Lois M. DeBerry Special Needs Facility	2/10/98	54	44	81.48%
West Tennessee High Security Facility	2/9/98	26	0	0.00%
Cold Creek Correctional Facility	12/8/97	35	2	5.71%
Mark H. Lutrell Reception Center	11/17/97	34	9	26.47%
Northwest Correctional Center	9/15/97	27	12	44.44%
Northwest Correctional Center	8/21/97	29	8	27.59%
Northeast Correctional Center	8/11/97	39	22	56.41%
Southeastern Tennessee State Regional Correctional Facility	8/4/97	40	23	57.50%
Middle Tennessee Correctional Complex	7/16/97	83	9	10.84%
Carter County Work Camp	7/7/97	36	0	0.00%
Lake County Regional Correctional Facility	6/5/97	<u>31</u>	<u>0</u>	<u>0.00%</u>
TOTAL :		<u>768</u>	<u>267</u>	<u>34.77%</u>

These results correlate highly with those of the test counts in the prior state audit. The institutions examined in the prior audit that had significant variances between inventory test counts and records continued to have significant test count variances when visited by Internal Audit. In fact, in most cases, these variances were greater in the recent internal audit counts than those in the test counts in the prior audit. West Tennessee High Security Facility continued to have excellent results. As determined in the prior audit, the results at each institution appear to be a direct reflection of the supervision provided by the warehouse managers and facility fiscal officers.

## **Recommendation**

Management of the Tennessee Department of Correction should take appropriate measures to ensure that the Tennessee Department of Correction Administrative Policies and Procedures, Index #210.01, “warehouse operation,” is fully implemented by warehouse managers and fiscal officers at the correctional facilities. Internal audit should continue to monitor departmental warehouse facilities.

## **Management’s Comment**

Management concurs. The Department of Correction is currently implementing a new warehouse inventory system in each one of its institutions. In an effort to strengthen warehouse procedures, Fiscal Services has begun to review the Warehouse Monthly Operating Reports more closely to ensure that all procedures set forth in policy 210.01, Warehouse Operation, are being followed. Internal Audit will continue to monitor the departmental warehouse facilities. In addition, beginning in January 2000, an employee of Fiscal Services will visit each institution twice annually to ensure that all warehouse policies and internal audit recommendations are being followed.

---

## **MAINTENANCE BENEFITS**

The objectives of our review of the procedures and controls related to providing maintenance benefits to employees of the Department of Correction were to determine whether

- maintenance benefits have been provided to employees under the proper authority,
- maintenance benefits have been restricted to employees allowed under state policy,
- the required forms have been completed by applicable employees, and
- a complete list of employees receiving maintenance benefits and the amount of their benefits has been provided to the Department of Finance and Administration in a timely manner.

We reviewed the Department of Finance and Administration’s Policy 16, *Employee Housing and Meals*, and the department’s approved plan for complying with this policy statement. We discussed the procedures for complying with this policy with key personnel and reviewed all required forms that were submitted to comply with this policy. Additionally, personnel files were reviewed for required documentation at the three prison facilities visited during this audit, and housing at these facilities was physically inspected. We determined that not all of the required forms were submitted to the assistant fiscal director as required by the approved departmental plan for complying with the policy, as discussed in finding 7.

**7. The department has not complied with the documentation requirements of the approved maintenance benefits housing policy**

**Finding**

Some employees of the department, including the Commissioner and the Assistant Commissioner of Administration, reside on state property but have not signed the required standard rental agreement that is outlined in the department's approved housing policy. According to the department's housing policy which was submitted to the Department of Finance and Administration for approval in March 1998, requirements 6a and 6b:

Attachment A must be completed by all wardens living in state housing.

Attachment B standard rental agreements must be completed by all employees living in state owned housing.

Twenty-three of the 55 (41.82%) Department of Correction personnel for whom the department provides housing have not submitted completed rental agreements to the Assistant Director of Fiscal Services. Because rental agreements have not been submitted by all employees occupying state housing, the Department of Correction has no assurance employees residing on state property are aware of the specific terms outlined in the standard rental agreement, nor does the department have the required notification that employees are residing on state property.

**Recommendation**

Standard rental agreements should be submitted and maintained by the Assistant Director of Fiscal Services to ensure that employees who reside on state property are eligible under the department's housing policy and to ensure that the employees are aware of the terms outlined in the rental agreements.

**Management's Comment**

Management concurs. To ensure that the necessary forms are on file, the Assistant Director of Fiscal Services is obtaining Attachment A, Employee Housing Disclosure, from the wardens, and Attachment B, Standard Rental Agreement, from all employees that reside in state-owned housing. The forms will be on file in the Assistant Director's office in December 1999.

---

## NOTIFICATION OF THE COMPTROLLER OF THE TREASURY

The objective of our review of the procedures in the Department of Correction Internal Affairs Division for notifying the Office of the Comptroller of the Treasury was to determine whether the department's Internal Affairs Division notified the Investigations Section of the Division of State Audit, Office of the Comptroller of the Treasury, in a timely manner of suspected malfeasance or misfeasance by its employees relating to shortages of money or unauthorized removal of state property.

We obtained a list of investigations conducted during the audit period from the department's Director of Internal Affairs and provided this list to the State Audit Investigations Manager. The State Audit Investigations Manager indicated the cases that the Investigations Division was not notified of, and, based on this and a review of the case synopses, we determined that the department did not notify the Comptroller of the Treasury in all cases involving suspected employee malfeasance or misfeasance and shortages of money or the unauthorized removal of state property, as discussed in finding 8.

### **8. Possible malfeasance and resolution of investigations were not reported to the Comptroller of the Treasury**

#### **Finding**

The Department of Correction did not keep the Comptroller's Office informed of possible malfeasance and resolution of investigations. Section 8-19-501, *Tennessee Code Annotated*, states, "It is the duty of any official of any agency of the state having knowledge of shortages of moneys of the state, or unauthorized removal of state property, occasioned either by malfeasance or misfeasance in office of any state employee, to report the same immediately to the comptroller of the treasury."

During the period from July 1, 1996, to June 30, 1998, the Comptroller's office was not notified of the initiation or ultimate resolution of two investigations undertaken by the department's Internal Affairs Division that involved alleged employee malfeasance. Both of these unreported investigations by the department confirmed the allegation of employee malfeasance. The purpose of the statutory requirement to notify the Comptroller is to ensure a thorough investigation and an appropriate resolution in the best interest of the state.

#### **Recommendation**

The commissioner should ensure that the Comptroller's Office is promptly notified of any initial indications of employee malfeasance and the ultimate findings of related investigations.

## **Management's Comment**

Management concurs. Procedures have been implemented for all wardens, directors and superintendent to notify the Director of Fiscal Services when a possible malfeasance has occurred, and of any resolution of the investigation. The Director of Fiscal Services will notify the Comptroller of the Treasury on behalf of the Commissioner.

---

### **SIGNATURE AUTHORIZATION FORMS**

The objectives of our review of the signature authorization forms controls and procedures in the Department of Correction were to determine whether

- the signature authorization forms were properly completed and
- the signature authorization forms were reviewed and approved by the commissioner and the department's fiscal director.

We reviewed the work performed on the Consolidated Annual Financial Report (CAFR) audit on signature authorization forms for the department. After our review of the results of the CAFR work, we determined that the signature authorization forms were not properly completed, nor were they properly reviewed and approved by the commissioner and the fiscal director, as discussed in finding 9.

### **9. Signature authorization forms were not properly approved**

#### **Finding**

The commissioner and fiscal officer of the Department of Correction have not properly approved the department's signature authorization forms. Signature authorization forms are required to be prepared by each state department and filed annually with the Department of Finance and Administration, Division of Accounts. These forms are used by the Division of Accounts to ensure each department's accounting transactions are properly approved at the department level. The forms document the signatures of employees who are authorized to sign for the department head and fiscal officer, and the forms require the approval of the fiscal officer and department head.

None of the signature authorization forms for the Department of Correction on file at the Division of Accounts were approved by the commissioner and fiscal officer. Employees other than the commissioner and fiscal officer approved the signature authorization forms, thereby approving themselves and others to sign as the department head and fiscal officer of the department. There is no assurance that accounting transactions have been approved as the commissioner and fiscal officer intended.

Additionally, on the authorization forms for all departmental allotment codes except administration, employees did not sign the name of the department fiscal officer or department head, but rather the name of the facility fiscal officer or warden. Furthermore, when a signature authorization form for a particular allotment code required multiple pages, only one page was signed.

The signature authorization form for Adult Probation and Community Corrections was not updated annually as required by the Department of Finance and Administration, Division of Accounts. This form included the signature authorization for an employee who left the department in June 1995. Also, the signature authorization form for Knoxville Community Service Center was not approved until five months after the effective date of the form.

### **Recommendation**

The commissioner and fiscal director should review and sign all signature authorization forms for the department, giving employees authority to sign the commissioner's and fiscal director's name and to approve the department's accounting transactions. The commissioner and fiscal director should ensure that the number of employees with signature authorization is kept to the minimum number necessary to efficiently and effectively conduct the department's business. When employees sign for the department head or fiscal officer, those employees should sign the name of the actual department head or fiscal officer, not their own names or another department employee. All forms should be approved in advance of their use. If multiple pages are required, all pages used should be approved. Signature authorization forms should be updated annually with the Department of Finance and Administration, Division of Accounts.

### **Management's Comment**

Management concurs. New signature authorization forms have been completed for each allotment code within the department. The wardens/superintendent are now authorized to sign for the commissioner as department head, and the chief fiscal officers at the institutions are now authorized to sign for the departmental fiscal officer. In addition, the commissioner and the fiscal officer have signed as approvers.

---

## **ANNUAL REPORTS**

*Tennessee Code Annotated* requires each state agency to submit a written report to the Governor concerning the agency's functions, management, and financial transactions of the agency for the preceding fiscal year. The objective of our review of the department's annual report was to determine whether the report had been submitted in compliance with the statute.

We interviewed key departmental personnel to gain an understanding of the department's procedures for the preparation and submission of the annual report to the Governor. The annual

reports for the years ended June 30, 1998; June 30, 1997; and June 30, 1996, were not submitted to the Governor on a timely basis, as discussed in finding 10.

#### **10. The department did not submit its annual report in a timely manner**

##### **Finding**

The Department of Correction did not prepare and submit its annual report on or before October 1, as required by law. The department prepared an annual report for the year ended June 30, 1996, but did not submit the report to the Governor until March 1998, 17 months late. The reports for the years ended June 30, 1997, and June 30, 1998, had not been submitted to the Governor as of April 1, 1999, 18 months and 6 months, respectively, after the statutory due dates. Section 4-4-114(a)(1), *Tennessee Code Annotated*, states:

The head of each administrative department, established by chapter 3 of this title, and the state treasurer, the secretary of state, and the adjutant general, unless otherwise provided in this title, shall annually, on or before October 1, report in writing to the governor concerning the functions, management and financial transactions of such person's department or agency for the preceding fiscal year. (Effective January 20, 1943)

Without timely reporting, the information in the annual report to the Governor concerning the department's functions, management, and financial transactions during the preceding fiscal year loses its significance and becomes irrelevant in decision-making.

##### **Recommendation**

The department should issue an annual report by October 1 of each year as required by state statute.

##### **Management's Comment**

Management concurs. The FY96-97 and FY97-98 were substantially overdue. There are several reasons for this, including the vacancy of the director position in the planning and research unit for almost a year, and understaffed planning and research section in general. In addition, the separation of the community correction (probation) division from the department and its subsequent merger with the Board of Paroles contributed to the delinquency of the reports. Although the director position has been filled, the section itself remains understaffed due to vacancies.

At this point, the FY96-97 annual report has been published, and an initial draft of FY97-98 report has undergone internal review. The final report should be finished by mid-December. Work on the FY98-99 annual report is underway; an initial draft is expected to be available for internal review by late January 2000, with the final report completed by late February or early March.

---

## **FEDERAL GRANTS**

The objectives of our review of the procedures and controls over federal grants administered by the Department of Correction were to determine whether

- expenditures charged to federal grants are allowable per applicable regulations and grant contracts;
- expenditures charged to federal grants are adequately documented;
- subrecipients are adequately monitored;
- matching requirements are satisfied; and
- grant programmatic and fiscal reports are adequate, accurate, and are submitted on a timely basis in compliance with federal requirements.

We interviewed key departmental personnel to gain an understanding of the department's procedures and controls over federal grants. We also obtained and reviewed the applicable regulations and contracts for these grants to determine the allowable costs, and the matching, monitoring, and reporting requirements. Testwork was performed on a sample of grant expenditures for allowability and adequacy of documentation, and all programmatic and fiscal reports were reviewed for adequacy, accuracy, and timeliness. Matching was tested for all applicable grants, and monitoring reports and procedures were reviewed. We had no findings related to federal grants.

---

## **STATE PROSECUTIONS–MISCELLANEOUS EXPENDITURES**

The objectives of our review of the procedures and controls over miscellaneous expenditures from the state prosecutions account administered by the Department of Correction were to determine whether

- expenditures reimbursed through the state prosecutions miscellaneous accounts are adequately documented and

- expenditures reimbursed through the state prosecutions miscellaneous accounts are allowable per applicable sections of the *Tennessee Code Annotated*.

We interviewed key departmental personnel to gain an understanding of the department's procedures and controls over miscellaneous expenditures reimbursed through the state prosecutions account. Applicable sections of the *Tennessee Code Annotated* were reviewed, and legal counsel was consulted for interpretation of the allowability of some costs per *Tennessee Code Annotated*. Testwork was performed on a sample of expenditures reimbursed through the state prosecutions miscellaneous accounts to test for adequacy of documentation and allowability. We had no findings related to state prosecutions–miscellaneous expenditures.

---

## COMMUNITY CORRECTIONS

The objectives of our review of the procedures and controls over Community Corrections administered by the Department of Correction were to determine whether

- Community Corrections programs are adequately monitored;
- Community Corrections programs have submitted an annual audit report to the Office of the Comptroller of the Treasury in compliance with *Tennessee Code Annotated* 40-36-303(d); and
- any program or fiscal processes not monitored by Community Corrections, Internal Audit, or external auditors receive adequate audit consideration.

We interviewed key departmental personnel to gain an understanding of the department's procedures and controls over Community Corrections. We obtained and reviewed sections (40-36-101 et seq.) of the *Tennessee Code Annotated* and the Community Corrections Program Standards. We obtained and reviewed the checklists used by Community Corrections and Internal Audit to conduct programmatic and fiscal monitoring visits. We also obtained and reviewed all internal and external audit reports on Community Corrections subrecipients. Based on our review of these reports and discussions with Community Corrections and Internal Audit personnel, we determined that Community Corrections fee collection should be included in our testwork, because it was not examined sufficiently by other auditors or monitors. Testwork was performed on a sample of Community Corrections fee collections to ensure that fee exemptions were documented when applicable and that Community Corrections fees were collected and forwarded to the department in a timely manner. We had no findings related to Community Corrections.

---

## **ADULT PROBATION FEE COLLECTION**

The objective of our review of the procedures and controls over fee collection for Adult Probation in the Department of Correction was to determine whether the Adult Probation program has adequate controls in place to ensure the collection of fees mandated under Section 40-28-201, *Tennessee Code Annotated*.

We interviewed key departmental personnel to gain an understanding of the department's procedures and controls over fee collection for Adult Probation. We obtained and reviewed Section 40-28-101 et. seq., *Tennessee Code Annotated*; the Centralized Revenue Lock Box Processing Manual; and the Adult Probation Fee Manual. Testwork was performed on a sample of fee collections to ensure that fee exemptions were documented and that supervisory and Criminal Injury Compensation Fund fees were forwarded in a timely manner or that staff took appropriate action to address a probationer's arrearage. We had no findings related to Adult Probation fee collection.

---

## **PRIOR AUDIT FINDINGS**

---

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Correction filed its report with the Department of Audit on October 14, 1997. A follow-up of all prior audit findings was conducted as part of the current audit.

## **RESOLVED AUDIT FINDINGS**

The current audit disclosed that the Department of Correction has corrected a previous audit finding concerning submitting the Financial Integrity Act report in a timely manner. Prior audits of the Department of Correction have contained a finding concerning the provision of maintenance benefits without the apparent authority to do so. A statewide maintenance policy was approved on January 15, 1998, and the department's plan for complying with this policy was approved on December 11, 1998; therefore, this finding will not be repeated.

## **REPEATED AUDIT FINDINGS**

The prior audit report also contained findings concerning implementing and improving controls over inventories and submitting quarterly profit and loss statements for TRICOR. These findings have not been resolved and are repeated in the applicable sections of this report.

---

## OBSERVATIONS AND COMMENTS

---

### **PROJECT RETURN, INC.—SPECIAL INVESTIGATION**

On June 29, 1998, the Division of State Audit was contacted by the executive director of Project Return, Inc. (a nonprofit organization receiving annual state-appropriated funds totaling \$200,000 through the Department of Correction), concerning the alleged misuse of agency credit cards by three former staff. The agency provides employment and rehabilitative assistance to ex-offenders and their families. According to the executive director, when she began employment with the agency in January 1998, she discovered that these three individuals had used agency credit cards (Visa and American Express) for personal expenses and that the agency's board of directors had been aware of and approved of this activity.

State auditors reviewed the matter and issued a special report on July 6, 1999. This review determined that the agency had paid a total of \$86,055.63 in personal credit card charges for the former executive director, the former bookkeeper, and a former senior job development counselor. The personal credit card charges were made during the period March 1992 through May 1998. Token payroll deductions were made to offset the personal credit card charges but the outstanding balance for all three individuals totaled \$65,801.26.

Board meeting minutes dated October 4, 1994, confirmed that the board of directors was aware of staff's personal use of agency credit cards. Those members active during the time agency staff used credit cards for personal use resigned or were removed from the board because their term limits had expired. In addition, the agency discontinued the use of credit cards by staff.

The use of agency credit cards for personal expenses is an abuse of agency funds. This practice perpetuated by the key agency staff was not subject to any internal controls. Relying on agency staff who used the credit cards to determine which charges were personal and which were incurred on behalf of the agency provided no safeguards against misuse. This determination was not reviewed by anyone else at the agency and was not always supported with receipts for agency purchases. In allowing this practice, the board of directors failed to ensure state-appropriated funds were used for intended purposes.

The agency is continuing its efforts to collect the outstanding balance from the former staff by attempting to have them sign promissory notes and make minimum monthly payments. However, no litigation has been initiated at the time of this audit report. Although the former staff have all expressed their desire to repay their respective debts, they have not repaid the abused funds.

## **TRICOR GARAGE—SPECIAL INVESTIGATION**

An investigation of alleged improper activities by staff and inmates at the Nashville TRICOR garage is currently ongoing and a separate report will be issued. The TRICOR Central garage was closed in July 1997.

## **TITLE VI OF THE CIVIL RIGHTS ACT OF 1964**

*Tennessee Code Annotated*, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. For the year ended June 30, 1998, the Department of Correction filed its compliance report and implementation plan on June 30, 1998, and for the year ended June 30, 1997, on June 27, 1997.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

The State Planning Office in the Executive Department was assigned the responsibility of serving as the monitoring agency for Title VI compliance, and copies of the required reports were filed with the State Planning Office for evaluation and comment. However, the State Planning Office has been abolished. The Office of the Governor has not designated a new monitoring agency for the Executive Branch.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

## **SUBSEQUENT EVENT—TRICOR**

As of July 1, 1999, TRICOR is no longer administratively attached to the Department of Correction.

---

## APPENDIX

---

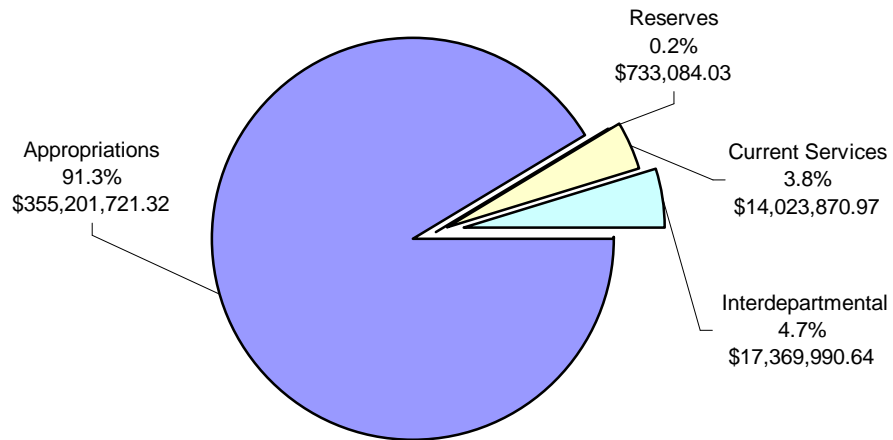
### DIVISIONS AND ALLOTMENT CODES

Department of Correction divisions and allotment codes:

329.01	Administration
329.02	Community Services (formerly Field Services and Adult Probation)
329.04	State Prosecutions
329.05	Knoxville Community Service Center (abolished July 1, 1998)
329.06	Tennessee Correction Academy
329.08	Wayne County Boot Camp
329.09	Chattanooga Community Service Center (abolished July 1, 1998)
329.11	Brushy Mountain Correctional Complex (formed by merging Brushy Mountain State Penitentiary, 329.11; and Morgan County Regional Correctional Facility, 329.19, on July 1, 1997)
329.13	Tennessee Prison for Women
329.14	Turney Center
329.16	Mark Luttrell Reception Center
329.17	Middle Tennessee Correctional Complex (formed by merging Middle Tennessee Reception Center, 329.17; Nashville Community Service Center, 329.07; and Tennessee Correctional Work Camp, 329.20, on July 1, 1997)
329.18	Southeastern Tennessee State Regional Correctional Facility
329.21	Hardeman County Correctional Center
329.30	Tennessee Rehabilitative Initiative in Correction (TRICOR) (As of July 1, 1999, TRICOR was separated from the Department of Correction and assigned allotment code 316.08.)
329.32	Major Maintenance
329.38	Local Correction Programs (also known as Community Corrections)
329.41	West Tennessee High Security Complex (formed by merging West Tennessee High Security Facility, 329.41; and Cold Creek Correctional Facility, 329.12, on July 1, 1997)
329.42	Riverbend Maximum Security Institution
329.43	Northeast Correctional Complex (formed by merging Northeast Correctional Center, 329.43; and Carter County Work Camp, 329.39, on July 1, 1997)
329.44	South Central Correctional Center
329.45	Northwest Correctional Complex (formed by merging Northwest Correctional Center, 329.45; and Lake County Regional Correctional Facility, 329.40, on July 1, 1997)
329.46	Lois M. DeBerry Special Needs Facility
329.50	Sex Offender Treatment Program
329.99	1985 Sentencing Act

## Department of Correction Funding Sources

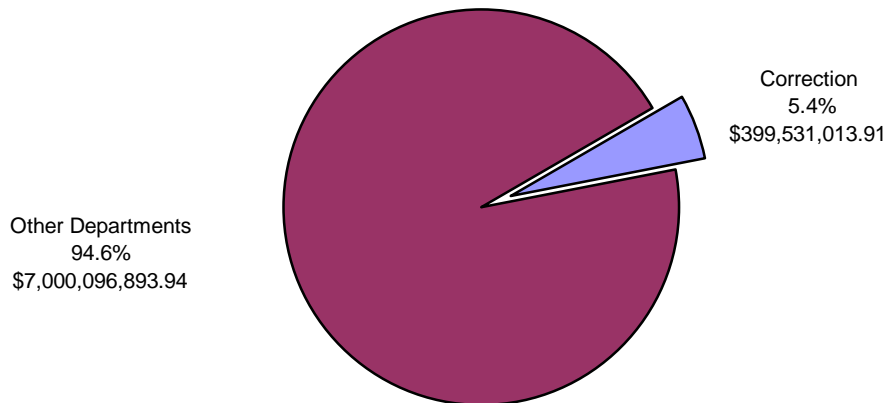
Fiscal Year Ended June 30, 1998 (Unaudited)



Source: Department of Correction

## General Fund Expenditures

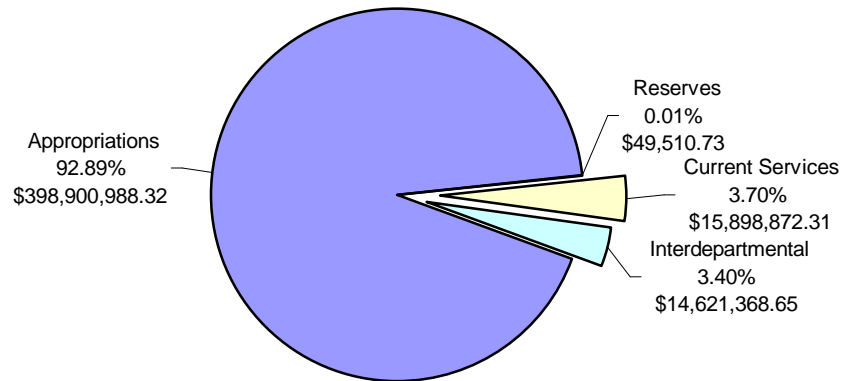
Fiscal Year Ended June 30, 1998 (Unaudited)



Source: Department of Correction

## Department of Correction Funding Sources

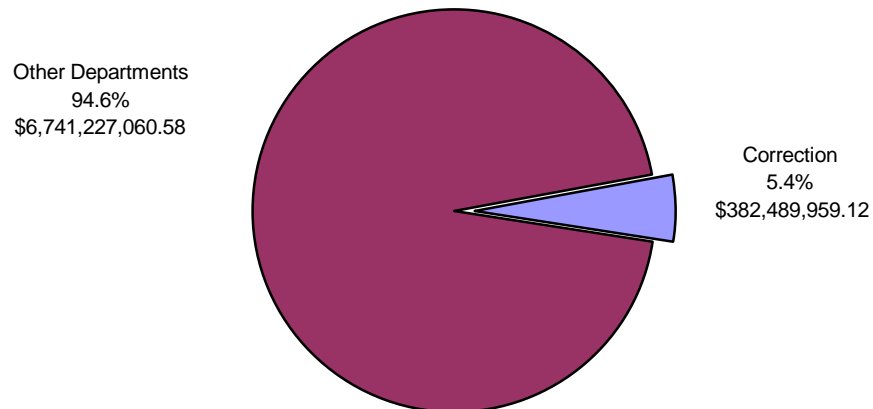
Fiscal Year Ended June 30, 1997 (Unaudited)



Source: Department of Correction

## General Fund Expenditures

Fiscal Year Ended June 30, 1997 (Unaudited)



Source: Department of Correction